



## DEPARTMENT OF ENERGY

### Western Area Power Administration

#### Boulder Canyon Project-Rate Order No. WAPA-204

**AGENCY:** Western Area Power Administration, DOE.

**ACTION:** Notice of rate order concerning Boulder Canyon Project formula rates for electric service and fiscal year 2023 base charge and rates.

**SUMMARY:** The Deputy Secretary confirmed, approved, and placed into effect on an interim basis the Boulder Canyon Project (BCP) formula rates for electric service in Rate Schedule BCP-F11 and the fiscal year (FY) 2023 base charge and rates under Rate Schedule BCP-F11. The existing formula rates under Rate Schedule BCP-F10 and the current base charge and rates expire on September 30, 2022. Rate Schedule BCP-F11 does not change the formula rates, which are set forth in the governing terms of the BCP Electric Service Contract (ESC). While the formula rates remain unchanged, the FY 2023 base charge for BCP electric service decreased 0.8 percent from \$67.4 million in FY 2022 to \$66.8 million in FY 2023.

**DATES:** The BCP formula rates under Rate Schedule BCP-F11 are effective the first day of the first billing period beginning on or after October 1, 2022, and will remain in effect through September 30, 2027. The BCP FY 2023 base charge and rates will be effective October 1, 2022, and remain in effect through September 30, 2023. Based upon the governing terms of the existing BCP ESC, the Deputy Secretary has provisionally approved the BCP formula rates for electric service in Rate Schedule BCP-F11 and the FY 2023 base charge and rates for BCP under Rate Schedule BCP-F11, pending confirmation and approval by the Federal Energy Regulatory Commission (FERC) on a final basis or until superseded.

**FOR FURTHER INFORMATION CONTACT:** Jack D. Murray, Regional Manager, Desert Southwest Region, Western Area Power Administration, P.O. Box 6457, Phoenix, Arizona

85005-6457, or Tina Ramsey, Rates Manager, Desert Southwest Region, Western Area Power Administration, (602) 605-2565, or email: [dswpwrkrk@wapa.gov](mailto:dswpwrkrk@wapa.gov).

**SUPPLEMENTARY INFORMATION:** On June 6, 2018, FERC confirmed and approved Rate Schedule BCP-F10, under Rate Order No. WAPA-178, on a final basis through September 30, 2022.<sup>1</sup> Western Area Power Administration (WAPA) published a *Federal Register* notice (Proposed FRN) on April 13, 2022 (87 FR 21881), proposing to renew the existing formula rates for electric service as Rate Schedule BCP-F11 and to calculate the FY 2023 base charge and rates under Rate Schedule BCP-F11. The Proposed FRN also initiated a public consultation and comment period and set forth the date and location of the public information and public comment forums.

Consistent with the formulas set forth in the BCP ESC, WAPA is renewing the formula rates for electric service as Rate Schedule BCP-F11, which would be effective October 1, 2022, through September 30, 2027, pending confirmation and approval by FERC on a final basis or until superseded. The formula rates will continue to provide sufficient revenue to recover all annual costs, including interest expense. Rate Schedule BCP-F11 and the BCP ESC require WAPA to calculate the annual base charge and rates for the next fiscal year before October 1 of each year based on formulas that are set for a five-year period.

### **Legal Authority**

WAPA is establishing rates for BCP electric service in accordance with section 302 of the Department of Energy (DOE) Organization Act (42 U.S.C. 7152). This provision transferred to, and vested in, the Secretary of Energy certain functions of the Secretary of the Interior, along with the power marketing functions of Bureau of Reclamation. Those functions include actions that specifically apply to the BCP.

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<sup>1</sup> Order Confirming and Approving Rate Schedule on a Final Basis, FERC Docket No. EF18-1-000, 163 FERC ¶ 62,154 (2018).

Pursuant to the BCP ESC, the renewed rate formula under Rate Schedule BCP–F11 and calculated base charge and rates for FY 2023 shall become effective, provisionally, upon approval by the Deputy Secretary of Energy subject to final approval by FERC. Under the DOE Organization Act, the Secretary of Energy holds plenary authority over DOE affairs with respect to the Power Marketing Administrations, and the Secretary of Energy may therefore exercise the Deputy Secretary’s contractual authority in this context. By Delegation Order No. S1-DEL-RATES-2016, effective November 19, 2016, the Secretary of Energy delegated: (1) the authority to develop power and transmission rates to the WAPA Administrator; (2) the authority to confirm, approve, and place such rates into effect on an interim basis to the Deputy Secretary of Energy; and (3) the authority to confirm, approve, and place into effect on a final basis, or to remand or disapprove such rates, to FERC. Based upon the governing terms of the existing BCP ESC, the Deputy Secretary will approve the formula rates and the FY 2023 base charge and rates for BCP electric service. This rate action is issued under the Delegation Order and DOE’s procedures for public participation in rate adjustments set forth at 10 CFR parts 903 and 904.<sup>2</sup>

Following review of WAPA’s proposal, I hereby confirm, approve and place Rate Order No. WAPA-204, which provides the formula rates for BCP electric service and calculates the base charge and rates for FY 2023, into effect on an interim basis. WAPA will submit Rate Order No. WAPA-204 to FERC for confirmation and approval on a final basis.

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<sup>2</sup> 50 FR 37835 (Sept. 18, 1985) and 84 FR 5347 (Feb. 21, 2019).

**DEPARTMENT OF ENERGY  
DEPUTY SECRETARY**

|                                    |   |                         |
|------------------------------------|---|-------------------------|
| In the Matter of:                  | ) |                         |
| Western Area Power Administration  | ) |                         |
| Desert Southwest Region            | ) | Rate Order No. WAPA-204 |
| Rate Adjustment for the            | ) |                         |
| Boulder Canyon Project             | ) |                         |
| Formula Rates for Electric Service | ) |                         |

**ORDER CONFIRMING, APPROVING AND PLACING THE BOULDER CANYON  
PROJECT FORMULA RATES FOR ELECTRIC SERVICE INTO EFFECT ON AN INTERIM  
BASIS AND CALCULATION OF FISCAL YEAR 2023 BASE CHARGE AND RATES**

The Boulder Canyon Project (BCP) formula rates for electric service and fiscal year (FY) 2023 base charge and rates are established following section 302 of the Department of Energy (DOE) Organization Act (42 U.S.C. 7152).<sup>1</sup> This provision transferred to, and vested in, the Secretary of Energy certain functions of the Secretary of the Interior, along with the power marketing functions of the Bureau of Reclamation (Reclamation). Those functions include actions that specifically apply to the BCP.

Pursuant to the BCP Electric Service Contract (ESC), the renewed rate formula under Rate Schedule BCP-F11 and calculated base charge and rates for FY 2023 shall become effective, provisionally, upon approval by the Deputy Secretary of Energy subject to final approval by the Federal Energy Regulatory Commission (FERC). Under the DOE Organization Act, the Secretary of Energy holds plenary authority over DOE affairs with respect to the Power Marketing Administrations, and the Secretary of Energy may therefore exercise the Deputy Secretary's contractual authority in this context. By Delegation Order No. S1-DEL-RATES-2016, effective November 19, 2016, the Secretary of Energy delegated: (1) the authority to develop power and transmission rates to the Administrator of Western Area Power Administration (WAPA); (2) the authority to confirm, approve, and place such rates into effect

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<sup>1</sup> This Act transferred to, and vested in, the Secretary of Energy the power marketing functions of the Secretary of the Department of the Interior and the Bureau of Reclamation under the Reclamation Act of 1902 (ch. 1093, 32 Stat. 388), as amended and supplemented by subsequent laws, particularly section 9(c) of the Reclamation Project Act of 1939 (43 U.S.C. 485h(c)); and other acts that specifically apply to the project involved.

on an interim basis to the Deputy Secretary of Energy; and (3) the authority to confirm, approve, and place into effect on a final basis, or to remand or disapprove such rates, to FERC. This Rate Order is issued under the Delegation Order and DOE's procedures for public participation in rate adjustments set forth at 10 CFR parts 903 and 904, subject to final approval by FERC.

### **Effective Date**

Rate Schedule BCP-F11 will take effect on October 1, 2022, and will remain in effect through September 30, 2027, and the BCP FY 2023 base charge and rates will be effective October 1, 2022, and remain in effect through September 30, 2023, pending confirmation and approval by FERC on a final basis or until superseded.

### **Public Notice and Comment**

The notice of the proposed renewal of formula rates in Rate Schedule BCP-F11 and the proposed FY 2023 base charge and rates for electric service were published consistent with procedures set forth in 10 CFR part 903 and 10 CFR part 904. Following are the steps WAPA took to involve contractors and other interested parties in the rate process:

1. On April 13, 2022, a *Federal Register* notice (87 FR 21881) (Proposed FRN) announced the proposed renewal of the formula rates and the proposed FY 2023 base charge and rates and launched the 90-day public consultation and comment period.
2. On April 13, 2022, WAPA notified contractors and interested parties of the proposed rates and provided a copy of the published Proposed FRN.
3. On May 13, 2022, WAPA held a public information forum (PIF) via video conference. Reclamation and WAPA's representatives explained the proposed formula rates for electric service and the proposed FY 2023 base charge and rates and answered questions.
4. On June 8, 2022, WAPA posted responses to questions from the PIF about Renewable Energy Certificates (RECs) and to a letter received with additional questions and comments about RECs.

5. On June 13, 2022, WAPA held a public comment forum (PCF) via video conference to provide an opportunity for contractors and other interested parties to comment for the record.
6. WAPA provided a website that contains important dates, correspondence, presentations, comments, responses, FRNs, and other information about this rate process. The BCP website is located at [www.wapa.gov/regions/DSW/Rates/Pages/boulder-canyon-rates.aspx](http://www.wapa.gov/regions/DSW/Rates/Pages/boulder-canyon-rates.aspx).
7. During the 90-day consultation and comment period, which ended on July 12, 2022, WAPA received four oral comments and four written comments. WAPA's responses to comments received prior to the PCF were posted on the BCP website. WAPA's responses to comments received during or after the PCF are included below. All comments have been considered in the preparation of this Rate Order.

**Oral comments were received from the following organizations:**

Augustine Tribe of Cahuilla Indians  
City of Boulder City, Nevada  
Colorado River Commission of Nevada  
Law Firm of Clark Hill (representing: Pinal County Electrical District Number Six; Electrical District Number Seven of Maricopa County, Arizona; Maricopa County Municipal Water Conservation District Number One; Roosevelt Irrigation District; and Buckeye Water Conservation and Drainage District)

**Written comments were received from the following organizations, some of which submitted comments jointly:**

Augustine Tribe of Cahuilla Indians  
Arizona Municipal Power User's Association  
Arizona Power Authority  
Irrigation and Electrical Districts Association of Arizona  
Law Firm of Clark Hill (representing: Pinal County Electrical District Number Six; Electrical District Number Seven of Maricopa County, Arizona; Maricopa County Municipal Water Conservation District Number One; Roosevelt Irrigation District; and Buckeye Water Conservation and Drainage District)

**Comments**

The comments received during or after the PCF have been paraphrased herein, where appropriate, without compromising the meaning of the comments.

*Comment:* Commenter (1) thanked Reclamation and WAPA for participation in the BCP Engineering and Operations Committee (E&OC), (2) agreed with additional consultation at future E&OC meetings to address drought impacts, and (3) stated the drought analysis developed by Reclamation and WAPA has helped to forecast and understand the drought impacts to hydropower customers of Federal projects in the Lower Colorado River Basin.

*Response:* Reclamation and WAPA appreciate the positive feedback and will continue to work with customers as hydrological conditions change. To help the contractors with future planning specific to BCP, an E&OC work group will be formed to study the impacts of the continuing drought.

*Comment:* Commenters stated they understood from the posted PIF responses that REC revenue projections for FY 2023 will be removed from the FY 2023 rates and supported this interim solution. They encouraged consultation with contractors on future treatment of REC revenues.

*Response:* This is correct; the \$800,000 projection for REC revenue previously included in the proposed FY 2023 base charge calculation has been removed. WAPA will work with the contractors and discuss options to directly provide benefits to those contractors who do not claim their RECs.

*Comment:* Commenter (1) thanked Reclamation and WAPA for the opportunity to participate in developing the work plans and budget for the BCP and for the reduction in the base charge for FY 2023, (2) commended Reclamation and WAPA and the committees involved that support the goals in the BCP Implementation Agreement between Reclamation, WAPA, and the contractors, and (3) was appreciative that a work group is being established for contingency planning related to the drought.

*Response:* Reclamation and WAPA appreciate the comment and will continue to work collaboratively with the contractors on contingency planning for the drought, provide

information as it is available, and continue to ensure rates are the lowest possible consistent with sound business principles.

*Comment:* Commenter stated the drought impact analysis has helped to provide an understanding of the water restrictions in response to the ongoing drought and the resulting generation impacts. Commenter agrees with having additional consultation at future E&OC meetings to address the continuing drought and its impact to the future base charge and rates.

*Response:* Reclamation and WAPA will continue to work with contractors on the impacts of the ongoing drought and a work group will be formed to study the impacts as hydrological conditions change.



## Background on Formula Rates and Base Charge and Rates

Hoover Dam,<sup>2</sup> authorized by the Boulder Canyon Project Act of 1928 (45 Stat. 1057, December 21, 1928), sits on the Colorado River along the Arizona-Nevada border. The Hoover Dam power plant has 19 generating units (two for plant use) and an installed capacity of 2,078.8 megawatts (4,800 kilowatts for plant use). In collaboration with Reclamation, WAPA markets and delivers hydropower from the Hoover Dam power plant through high-voltage transmission lines and substations to Arizona, Southern California, and Southern Nevada.

The base charge recovers an annual revenue requirement that includes projected costs for investment repayment, interest, operations, maintenance, replacements, payments to States, and Hoover Dam visitor services. Non-power revenue projections from water sales, the Hoover Dam visitor center, ancillary services, and late fees help offset the projected costs. Hoover Dam power contractors are billed a percentage of the base charge in proportion to their power allocation. Unit rates are calculated for comparative purposes but are not used to determine the charges for service.

### Comparison of Base Charge and Rates

|                            | <b>FY 2022</b> | <b>FY 2023</b> | <b>Amount Change</b> | <b>Percent Change</b> |
|----------------------------|----------------|----------------|----------------------|-----------------------|
| Base Charge (\$)           | \$67,355,778   | \$66,798,560   | (\$557,218)          | (0.8)                 |
| Composite Rate (mills/kWh) | 20.63          | 22.43          | 1.80                 | 8.7                   |
| Energy Rate (mills/kWh)    | 10.32          | 11.22          | 0.90                 | 8.7                   |
| Capacity Rate (\$/kW-Mo)   | \$2.03         | \$2.17         | \$0.14               | 6.9                   |

While the formula rates remain unchanged, the FY 2023 base charge for BCP electric service is decreasing from \$67.4 million in FY 2022 to \$66.8 million in FY 2023, a 0.8-percent decrease. Working together, Reclamation and WAPA conducted a mid-year review to lessen the financial

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<sup>2</sup> Hoover Dam was known as Boulder Dam from 1933 to 1947, but was renamed Hoover Dam by an April 30, 1947, joint resolution of Congress. See Act of April 30, 1947, H.J. Res. 140, ch. 46, 61 Stat. 56-57.

impact of the drought to the rates and reduced costs by \$2.1 million from the initial proposal in the Proposed FRN.

Reclamation's FY 2023 budget is increasing \$2.9 million from \$81.7 million to \$84.7 million, a 3.6-percent increase from FY 2022. Reflected in this budget, operations and maintenance (O&M) costs are increasing \$3.4 million primarily due to a higher overhead rate for salaries attributed to a reorganization and increased staffing needs to improve cybersecurity; an increase in services for IT support and equipment; trash disposal contract costs; fabrication of elevator doors; ammunition for security forces; and anticipated costs for the Workman's Compensation Program. Visitor services costs are increasing \$490,000 due to higher projected contract costs for janitorial, memorabilia, ticketing, and trash disposal services. The increase for Reclamation is offset by a \$1.1 million decrease in replacement costs primarily due to Reclamation's effort to level extraordinary maintenance project expenses. This results in reduced annual costs for the control center renovation project and the replacement of the A9 wicket gates, visitors center escalator, and wastewater treatment facility.

WAPA's FY 2023 budget is decreasing \$438,000 from \$9.2 million to \$8.7 million, a 4.8-percent decrease from FY 2022. Reflected in this budget, WAPA's O&M costs are decreasing by \$842,000 due to a shift from O&M to capital work. The decreasing O&M costs are offset primarily by a \$380,000 increase in WAPA's replacement budget for breaker and relay replacements in the Mead Substation 69-kilovolt yard.

Costs for Reclamation and WAPA are offset by a slight increase of \$68,000 in non-power revenue projections, due to a higher estimate for ancillary services revenues. Prior-year carryover is projected to be \$5.6 million, a \$3 million increase from FY 2022. This increase in carryover primarily is due to the \$1.8 million reduction of FY 2022 O&M costs made during the mid-year review and the addition of \$1 million in non-power revenues from the FY 2022 sale of RECs from FY 2021 and earlier years. The sale of these RECs occurred prior to contractors expressing a preference for a different treatment of revenue from RECs.

Although the base charge is decreasing by 0.8 percent, the rates calculated for comparative purposes are increasing 6.9 percent and 8.7 percent due to reduced energy and capacity from the ongoing drought in the Colorado River Basin. Reclamation and WAPA will continue to work collaboratively to lessen the impact of the drought in future years.

### **Certification of Rates**

WAPA's Administrator certified that the formula rates for BCP electric service under Rate Schedule BCP-F11 result in the lowest possible rates consistent with sound business principles, and the calculated FY 2023 base charge and rates under Rate Schedule BCP-F11 are the lowest possible rates consistent with sound business principles. The formula rates and base charge and rates were developed following administrative policies and applicable laws.

### **Availability of Information**

Information about this rate adjustment, including studies, comments, letters, memorandums, and other supporting materials that were used to develop the formula rates for electric service and the base charge and rates are available for inspection and copying at the Desert Southwest Customer Service Regional Office, located at 615 South 43rd Avenue, Phoenix, Arizona. Many of these documents are also available on WAPA's BCP website at [www.wapa.gov/regions/DSW/Rates/Pages/boulder-canyon-rates.aspx](http://www.wapa.gov/regions/DSW/Rates/Pages/boulder-canyon-rates.aspx).

### **Ratemaking Procedure Requirements**

#### **Environmental Compliance**

WAPA has determined that this action fits within the following categorical exclusions listed in appendix B to subpart D of 10 CFR 1021.410: B4.3 (Electric power marketing rate changes) and B4.4 (Power marketing services and activities).<sup>3</sup> Categorically excluded projects and activities do not require preparation of either an environmental impact statement or an environmental assessment. Specifically, WAPA has determined that this rulemaking is

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<sup>3</sup> The determination was done in compliance with NEPA (42 U.S.C. 4321-4347); the Council on Environmental Quality Regulations for implementing NEPA (40 CFR parts 1500-1508); and DOE NEPA Implementing Procedures and Guidelines (10 CFR part 1021).

consistent with activities identified in B4, Categorical Exclusions Applicable to Specific Agency Actions (*see* 10 CFR part 1021, appendix B to subpart D, part B4). A copy of the categorical exclusion determination is available on WAPA's website at [www.wapa.gov/regions/DSW/Environment/Pages/environment.aspx](http://www.wapa.gov/regions/DSW/Environment/Pages/environment.aspx).

#### **Determination Under Executive Order 12866**

WAPA has an exemption from centralized regulatory review under Executive Order 12866; accordingly, no clearance of this notice by the Office of Management and Budget is required.

#### **Submission to the Federal Energy Regulatory Commission**

The BCP formula rates for electric service in Rate Schedule BCP-F11 and the FY 2023 base charge and rates under Rate Schedule BCP-F11 herein confirmed, approved, and placed into effect on an interim basis, together with supporting documents, will be submitted to FERC for confirmation and final approval.

## **Order**

In view of the above and under the authority delegated to me, I hereby confirm, approve, and place into effect, on an interim basis, the BCP formula rates for electric service in Rate Schedule BCP-F11 and the FY 2023 base charge and rates under Rate Schedule BCP-F11. The rates will remain in effect on an interim basis until: (1) FERC confirms and approves them on a final basis; (2) subsequent rates are confirmed and approved; or (3) such rates are superseded.

## **Signing Authority**

This document of the Department of Energy was signed on September 12, 2022, by David M. Turk, Deputy Secretary, pursuant to delegated authority from the Secretary of Energy. That document, with the original signature and date, is maintained by DOE. For administrative purposes only, and in compliance with requirements of the Office of the Federal Register, the undersigned DOE Federal Register Liaison Officer has been authorized to sign and submit the document in electronic format for publication, as an official document of the Department of Energy. This administrative process in no way alters the legal effect of this document upon publication in the *Federal Register*.

Signed in Washington, DC, on September 14, 2022.

**Treena V. Garrett,**  
*Federal Register Liaison Officer,*  
*U.S. Department of Energy.*

Rate Schedule BCP-F11  
(Supersedes Rate Schedule BCP-F10)

**UNITED STATES DEPARTMENT OF ENERGY  
WESTERN AREA POWER ADMINISTRATION**

**DESERT SOUTHWEST REGION  
Boulder Canyon Project**

**SCHEDULE OF RATES FOR ELECTRIC SERVICE**  
**(Approved Under Rate Order No. WAPA-204)**

Effective

The first day of the first full billing period beginning on or after October 1, 2022, and extending through September 30, 2027, or until superseded by another rate schedule, whichever occurs earlier.

Available

In the marketing area serviced by the Boulder Canyon Project.

Applicable

To power supplied by the Boulder Canyon Project through one meter, at one point of delivery, unless otherwise provided by contract.

Character and Conditions of Service

Alternating current at 60 hertz, three-phase, delivered and metered at the voltages and points established by contract.

Base Charge

The charge paid by each contractor for their allocated capacity and firm energy based on the annual revenue requirement. The base charge shall be composed of a capacity component and an energy component:

Capacity Charge: Each month WAPA shall bill each contractor for a capacity charge equal to one-twelfth (1/12) of the capacity dollars multiplied by each contractor's contingent capacity percentage as provided by contract.

Energy Charge: Each month WAPA shall bill each contractor for an energy charge equal to that period's monthly energy ratio, multiplied by the contractor's energy dollars as provided by contract.

Forecast Rates

Energy: Shall be equal to the annual energy dollars divided by the lesser of the total master schedule energy or 4,501 megawatt-hours. This rate is applied to excess energy, unauthorized overruns, and water pump energy.

Capacity: Shall be equal to the annual capacity dollars divided by 2,074 megawatt-hours.

This rate is applied to unauthorized overruns.

#### Calculated Energy Rate

Within ninety (90) days after the end of the fiscal year, an energy rate shall be calculated. For any rate year in which energy deemed delivered is greater than 4,501 megawatt-hours, WAPA shall apply the calculated energy rate to each contractor's energy deemed delivered to determine the contractor's actual energy charge. A credit or debit shall be established for each contractor based on the difference between the contractor's energy dollars and the contractor's actual energy charge, to be applied in the month following the calculation or as soon as possible thereafter.

### Lower Colorado River Basin Development Fund (Contribution Charge)

The Contribution Charge is 4.5 mills for each kilowatt-hour measured or scheduled to an Arizona purchaser and 2.5 mills for each kilowatt-hour measured or scheduled to a California or Nevada purchaser, except for purchased power.

### Billing for Unauthorized Overruns

For each billing period in which there is a contract violation involving an unauthorized overrun of contractual power obligations, such overrun shall be billed at ten (10) times the forecast energy rate and forecast capacity rate. The Contribution Charge shall also be applied to each kilowatt hour of overrun.

### Adjustments

None.

[FR Doc. 2022-20189 Filed: 9/16/2022 8:45 am; Publication Date: 9/19/2022]